

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6995

BILL NUMBER: HB 1237

NOTE PREPARED: Dec 30, 2011

BILL AMENDED:

SUBJECT: Home Improvement Contracts.

FIRST AUTHOR: Rep. VanNatter

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

- (1) Amends the statute governing home improvement contracts to specify that "home improvement" includes work performed on a roof system.
- (2) Defines "insured consumer" for purposes of the statute.
- (3) Provides that before entering into a home improvement contract for a home improvement that is or may be covered by a personal line property and casualty insurance policy, a home improvement supplier must furnish the insured consumer: (a) a statement of the consumer's right to cancel the contract under the statute; and (b) a cancellation form that may used by the consumer to cancel the contract.
- (4) Provides that a home improvement supplier shall not advertise, offer, or promise to pay or rebate any part of an insurance deductible to induce a person to enter into a home improvement contract or otherwise purchase goods or services from the home improvement supplier.
- (5) Provides that an insured consumer who enters into a home improvement contract may cancel the contract before midnight on the third business day after the insured consumer receives written notice from the insurance company that any part of the claim or contract is not a covered loss.
- (6) Provides that within 10 days after a contract is cancelled, the home improvement supplier shall tender to the insured consumer: (a) any payment or deposit made by the insured consumer; and (b) any note or other evidence of indebtedness of the insured consumer.
- (7) Provides that the home improvement supplier is entitled to the reasonable value of any emergency or other services actually performed.
- (8) Prohibits a home improvement supplier from representing or negotiating on behalf of an insured consumer (or offering or advertising to do so) in connection with an insurance claim concerning any home improvement.

Effective Date: July 1, 2012.

Explanation of State Expenditures: A violation for any of the requirements contained in the bill would be considered a deceptive act which is actionable by either the Attorney General or the consumer. To the extent the Attorney General seeks action against companies found in violation of the bill's requirements, the workload of the Attorney General will increase. Actual increases in workload are indeterminable.

Explanation of State Revenues: By increasing the number of deceptive acts, this bill may increase revenue to the General Fund from civil penalties. Under current law, the violation for a deceptive act is punishable with a civil penalty of \$500 per violation (IC 24-5-0.5-8). Knowingly committing a deceptive act is punishable with a civil penalty of \$5,000 per violation [IC 24-5-0.5-4 *version b (g)*]. Actual increases in revenue are indeterminable.

Court Fee Revenue: Under current law, if a consumer brings civil against a company that commits a deceptive act, civil court fees can be awarded to the plaintiff. To the extent a consumer brings action against a company that commits a deceptive act, state revenue from civil court fees will increase.

If additional civil actions occur and court fees are collected, revenue to the state General Fund may increase. A civil costs fee of \$100 would be assessed when a civil case is filed, 70% of which would be deposited in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court. In addition, some or all of the document storage fee (\$2), automated record keeping fee (\$5), judicial salaries fee (\$19), public defense administration fee (\$5), court administration fee (\$5), and the judicial insurance adjustment fee (\$1) are deposited into the state General Fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Court Fee Revenue:* If additional civil actions occur, local governments would receive revenue from the following sources. The county general fund would receive 27% of the \$100 civil costs fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

State Agencies Affected: Attorney General.

Local Agencies Affected: Trial courts, city and town courts.

Information Sources:

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